

CALIFORNIA DEPARTMENT OF INSURANCE  
LEGAL DIVISION

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California Department of Insurance

**BEFORE THE INSURANCE COMMISSIONER  
OF THE STATE OF CALIFORNIA  
SACRAMENTO**

In the Matter of the Certificates of Authority  
of:

COMMONWEALTH LAND TITLE  
INSURANCE COMPANY;

LAWYERS TITLE INSURANCE  
CORPORATION; and,

TRANSNATION TITLE INSURANCE  
COMPANY,

In the Matter of:

LANDAMERICA REINSURANCE  
SERVICES, INC.,

Respondents.

File No. DISP05046621

**ACCUSATION**

(Insurance Code §§700, 703(c), 790.03, 790.06,  
900, 900.8, 900.9, 12404, 12404(c), 12405 and  
12414.25; and RESPA, 12 U.S.C. §§2607(a)  
and (d));

**NOTICE OF NONCOMPLIANCE**

(Insurance Code §§700, 703(c), 790.03, 790.06,  
900.8, 900.9, 12404, 12404(c), 12405 and  
12414.25; and RESPA, 12 U.S.C. §2607(a));

**DEMAND FOR MONETARY PENALTY**

(Insurance Code §§700, 703(c), 790.035,  
12409, 12414.25 and 12976; and 12 U.S.C.  
§2607(d)); and,

**RIGHT TO ISSUE ORDER TO SHOW  
CAUSE**

(Insurance Code §§790.03, 790.05, and  
790.06).

The Insurance Commissioner of the State of California (“Insurance Commissioner”) in his  
official capacity alleges that:

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## **JURISDICTION AND PARTIES**

1. Respondent, COMMONWEALTH LAND TITLE INSURANCE COMPANY (“COMMONWEALTH”) holds a Certificate of Authority to transact the business of title insurance in the State of California, pursuant to §700 et seq. of the California Insurance Code<sup>1</sup>; and,

2. Respondent, LAWYERS TITLE INSURANCE CORPORATION (“LAWYERS”) holds a Certificate of Authority to transact the business of title insurance in the State of California, pursuant to §700 et seq. of the California Insurance Code; and,

3. Respondent, TRANSNATION TITLE INSURANCE COMPANY (“TRANSNATION”) holds a Certificate of Authority to transact the business of title insurance in the State of California, pursuant to §700 et seq. of the California Insurance Code; and,

4. Respondents, COMMONWEALTH, LAWYERS, and TRANSNATION are affiliated companies owned by LandAmerica Financial Corporation (“LANDAMERICA”), a Virginia holding company, and the principal underwriters for title insurance policies issued by LANDAMERICA; and,

5. Respondent, LANDAMERICA REINSURANCE SERVICES, INC. (“LANDAMERICA REINSURANCE”), a Vermont Corporation, transacts insurance in the State of California but does not hold a Certificate of Authority to transact the business of title insurance in the State of California, and is not admitted to transact the business of title insurance in the State of California, pursuant to §700 of the California Insurance Code; and,

6. On November 3, 2004, the Department of Insurance (“Department”) began examining the practices of COMMONWEALTH, LAWYERS, and TRANSNATION pursuant to

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<sup>1</sup> Unless otherwise stated, all references are to the California Insurance Code.

1 California Insurance Code §§730 and 12414.21, to determine whether certain reinsurance  
2 arrangements entered into between COMMONWEALTH, LAWYERS, and TRANSNATION  
3 and various settlement service providers, from on or about January 1997 through December 31,  
4 2004, violated state and federal law. The investigation included an examination of  
5 COMMONWEALTH, LAWYERS, and TRANSNATION’S documents relating to the  
6 negotiation of captive reinsurance arrangements; an examination of COMMONWEALTH,  
7 LAWYERS, and TRANSNATION’S captive reinsurance agreements with various homebuilders,  
8 lenders, and realtors; an examination of COMMONWEALTH, LAWYERS, and  
9 TRANSNATION’S Financial Statements and premium and loss reportings; an examination of  
10 COMMONWEALTH, LAWYERS, and TRANSNATION’S Annual Statements; an Investigatory  
11 Hearing conducted on April 4, 2005 pursuant to California Insurance Code §12924, and an  
12 examination of documents received from COMMONWEALTH, LAWYERS, and  
13 TRANSNATION subsequent to the Investigatory Hearing; and,  
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16 7. California Insurance Code §700(a) provides that “A person shall not transact any  
17 class of insurance business in this state without first being admitted for that class; and,

18 8. California Insurance Code §703(c) provides that acts “in any other manner aiding  
19 a nonadmitted insurer in this state” are misdemeanors when done in this state; and,

20 9. California Insurance Code §790.03 defines unfair methods of competition and  
21 unfair and deceptive acts or practices in the business of insurance. Subdivision (d) of §790.03  
22 identifies “Filing with any supervisory or other public official, or making, publishing,  
23 disseminating, circulating, or delivering to any person, or placing before the public, or causing  
24 directly or indirectly, to be made, published, disseminated, circulated, delivered to any person, or  
25 placed before the public any false statement of financial condition of an insurer with intent to  
26 deceive” as a prohibited act. Subdivision (e) of §790.03 identifies “Making any false entry in any  
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1 book, report, or statement of any insurer with intent to deceive any agent or examiner lawfully  
2 appointed to examine into its condition or into any of its affairs, or any public official to whom  
3 the insurer is required by law to report, or who has authority by law to examine into its condition  
4 or into any of its affairs, or, with like intent, willfully omitting to make a true entry of any  
5 material fact pertaining to the business of the insurer in any book, report, or statement of the  
6 insurer” as a prohibited act; and,  
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8 10. California Insurance Code §790.04 authorizes the Insurance Commissioner to  
9 “examine and investigate into the affairs of every person engaged in the business of insurance in  
10 the State in order to determine whether such person has been or is engaged in any unfair method  
11 of competition or in any unfair or deceptive act of practice prohibited by Section 790.03...”; and,  
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13 11. California Insurance Code §790.06 provides for the prosecution of unfair methods  
14 of competition and unfair and deceptive acts or practices in the business of insurance that are not  
15 defined in §790.03; and,

16 12. California Insurance Code §900 requires every insurer doing business in the State  
17 of California to file Annual and Quarterly Statements with the Insurance Commissioner; and,

18 13. California Insurance Code §900.8 provides that “The commissioner may decline to  
19 grant or renew or may suspend or revoke a certificate of authority of an insurer that knowingly  
20 files with the department a false financial statement;” and,  
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22 14. California Insurance Code §900.9 provides that “Any officer, director, employee  
23 or agent of any insurer, who willfully signs or files a false or untrue report of statement of the  
24 business, affairs, or condition of such insurer with intent to deceive any public officer, office, or  
25 board to which such insurer is required by law to report, or which has authority by law to examine  
26 into its affairs or transactions, is guilty of a felony;” and,  
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1           15.     California Insurance Code §12404 provides, in pertinent part, that “it is unlawful  
2 for any title insurer, underwritten title company, or controlled escrow company, to pay, directly or  
3 indirectly, any commission, compensation, or other consideration to any person as an inducement  
4 for the placement or referral of title business;” and,

5           16.     California Insurance Code §12404(b)(1) defines “person” as “any individual or  
6 entity who is any owner or prospective owner, lessee or prospective lessee of real property or any  
7 interest therein, any obligee or prospective obligee of an obligation secured or to be secured either  
8 in whole or in part by real property or any interest therein, or any person who is acting or who is  
9 in the business of acting as agent, representative, attorney, or employee of those persons”  
10 (hereafter collectively referred to as “12404 Persons”); and,

11           17.     California Insurance Code §12404(c) provides that certain activities enumerated in  
12 that section, “are deemed per se inducements for the placement or referral of title insurance  
13 business by any person, and are unlawful;” and,

14           18.     California Insurance Code §12404(g) provides that “The Legislature hereby  
15 intends that this section... shall be liberally construed for the purpose of protecting consumers of  
16 title business;” and,

17           19.     California Insurance Code §12405 provides, in relevant part, that “no title insurer,  
18 no controlled escrow company, and no underwritten title company shall make any rebate of any  
19 portion of the fee or charge” shown in its schedule of rates filed with the Commissioner; and,

20           20.     Section 8(a) of the Real Estate Settlement Practices Act (“RESPA”), 12 U.S.C.  
21 §2607(a) states that “No person shall give and no person shall accept any fee, kickback, or thing  
22 of value pursuant to any agreement or understanding, oral or otherwise, that business incident to  
23 or a part of a real estate settlement service involving a federally related mortgage loan shall be  
24 referred to any person;” and,

1           21.     Section 8(d) of RESPA, 12 U.S.C. §2607(d)(4) states that “[t]he Secretary, the  
2 Attorney General of any State, or the insurance commissioner of any State may bring an action to  
3 enjoin violations of this section.”

4                                   **FACTUAL ALLEGATIONS**

5           22.     Between approximately 1997 and 2004, COMMONWEALTH, LAWYERS, and  
6 TRANSNATION entered into Automatic Reinsurance Agreements and Reinsurance Agreements,  
7 commonly referred to as Stand-Alone Captive Reinsurance Agreements, with homebuilders,  
8 whereby COMMONWEALTH, LAWYERS, and TRANSNATION agreed to cede premium to a  
9 reinsurance entity owned, operated, controlled and/or affiliated with the homebuilder; and,  
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11           23.     Between approximately 1997 and 2004, COMMONWEALTH, LAWYERS, and  
12 TRANSNATION entered into Automatic Reinsurance Agreements and Reinsurance Agreements,  
13 commonly referred to as Stand-Alone Captive Reinsurance Agreements, with lenders, whereby  
14 LANDAMERICA agreed to cede premium to a reinsurance entity owned, operated, controlled  
15 and/or affiliated with the lender; and,  
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17           24.     Between approximately 1997 and 2004, COMMONWEALTH, LAWYERS, and  
18 TRANSNATION entered into Participation Agreements, commonly referred to as Sponsored  
19 Captive Reinsurance Agreements, with homebuilders, lenders, and realtors, whereby  
20 COMMONWEALTH, LAWYERS, and TRANSNATION agreed to cede premium to  
21 LANDAMERICA REINSURANCE SERVICES, INC. (“Sponsored Captive Reinsurer”), a  
22 reinsurance entity owned, operated, controlled and/or affiliated with COMMONWEALTH,  
23 LAWYERS, and TRANSNATION, on behalf of homebuilder, lender, and realtor participants  
24 maintained in separate accounts known as “protected cells” within the reinsurance entity; and,  
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26           25.     Each of the Participation Agreements entered into between COMMONWEALTH,  
27 LAWYERS and TRANSNATION and the Participants provided that the Participant pay a one-  
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1 time Participation Fee of ten thousand dollars (\$10,000.00), and a flat annual Expense Fee of ten  
2 thousand dollars (\$10,000.00), which were accounted for through each sponsored “cell;” and,

3 26. Between approximately 1997 and 2004, LANDAMERICA REINSURANCE  
4 SERVICES, INC. solicited, negotiated and executed contracts of insurance, and transacted  
5 matters subsequent to and arising out of the execution of contracts of insurance with Participants,  
6 thereby transacting insurance business in the State of California; and,

7 27. Between approximately 1997 and 2004, COMMONWEALTH, LAWYERS and  
8 TRANSNATION solicited, negotiated and executed contracts of insurance, and transacted  
9 matters subsequent to and arising out of the execution of contracts of insurance with  
10 LANDAMERICA REINSURANCE SERVICES, INC., thereby aiding and abetting the  
11 transaction of insurance business in the State of California by a nonadmitted insurer; and,

12 28. On or about January 28, 1997, COMMONWEALTH entered into an Automatic  
13 Reinsurance Agreement with homebuilder, The Ryland Group, Inc. (“Ryland”), a California  
14 corporation, whereby COMMONWEALTH agreed to reinsure all the title business it received  
15 from Ryland, through Cornerstone Title Insurance Company (“Cornerstone”), a Vermont  
16 corporation owned, operated, controlled and/or affiliated with Ryland. The Automatic  
17 Reinsurance Agreement specifically provided for the payment of reinsurance premium to be  
18 “computed on the stratified reinsured liability of one-third (1/3) by Reinsurer and a two-thirds  
19 (2/3) retention not reinsured by Ceder at the rate of one-third (1/3) of the Risk Premium as  
20 follows: Reinsurer – First \$1,000 of Policy liability reinsured; Ceder – Next \$2,000 of Policy  
21 liability not reinsured; Reinsurer: Next \$1,000 of Policy liability reinsured; Ceder – Next \$2,000  
22 of Policy liability not reinsured; Reinsurer – Next \$1,000 of Policy liability reinsured; Ceder –  
23 Next \$2,000 of Policy liability not reinsured, etc., Up to a Policy liability amount of \$350,000;”  
24 and,

1           29.     On or about August 1, 1998, COMMONWEALTH entered into a Reinsurance  
2 Agreement with homebuilder, Pulte Home Corporation (“Pulte”), a Michigan corporation,  
3 whereby COMMONWEALTH agreed to reinsure all the title business it received from Pulte,  
4 through Marquette Title Insurance Company (“Marquette”), a Vermont corporation owned,  
5 operated, controlled and/or affiliated with Pulte. The Reinsurance Agreement specifically  
6 provided for the deduction of a processing fee of two hundred and fifty dollars (\$250.00), per  
7 transaction, from the policy premium, for “performing the examination, search, preparation and  
8 issuance of the Commitment and Policies on those Policies of Ceder reinsured hereunder.” The  
9 balance of the policy premium was to be paid on a fifty percent (50%) quota share basis by  
10 COMMONWEALTH to Pulte for assuming fifty percent (50%) of the risk; and,  
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12           30.     On or about August 1, 1998, LAWYERS entered into a Reinsurance Agreement  
13 with homebuilder, Pulte Home Corporation (“Pulte”), a Michigan corporation, whereby  
14 LAWYERS agreed to reinsure all the title business it received from Pulte, through Marquette  
15 Title Insurance Company (“Marquette”), a Vermont corporation owned, operated, controlled  
16 and/or affiliated with Pulte. The Reinsurance Agreement specifically provided for the deduction  
17 of a processing fee of two hundred and fifty dollars (\$250.00), per transaction, from the policy  
18 premium, for “performing the examination, search, preparation and issuance of the Commitment  
19 and Policies on those Policies of Ceder reinsured hereunder.” The balance of the policy premium  
20 was to be paid on a fifty percent (50%) quota share basis by LAWYERS to Pulte for assuming  
21 fifty percent (50%) of the risk; and,  
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23           31.     On or about January 7, 2003, COMMONWEALTH entered into a Reinsurance  
24 Agreement with lender, Citimortgage, Inc. (“Citimortgage”), a Maryland corporation, whereby  
25 COMMONWEALTH agreed to reinsure all the title business it received from Citimortgage,  
26 through Chesapeake Title Reinsurance Company (“Chesapeake”), a Vermont corporation owned,  
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1 operated, controlled and/or affiliated with Citimortgage. The Reinsurance Agreement specifically  
2 provided for the deduction of a processing fee of two hundred dollars (\$200.00), per transaction,  
3 from the policy premium, for “title search and examination, preparation of the commitment and  
4 Policy and other production costs associated with issuance of each Policy subject to reinsurance  
5 under this Agreement.” The balance of the policy premium was to be paid on a fifty percent  
6 (50%) quota share basis by COMMONWEALTH to Citimortgage for assuming fifty percent  
7 (50%) of the risk; and,  
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9 32. On or about January 7, 2003, LAWYERS entered into a Reinsurance Agreement  
10 with lender, Citimortgage, Inc. (“Citimortgage”), a Maryland corporation, whereby LAWYERS  
11 agreed to reinsure all the title business it received from Citimortgage, through Chesapeake Title  
12 Reinsurance Company (“Chesapeake”), a Vermont corporation owned, operated, controlled  
13 and/or affiliated with Citimortgage. The Reinsurance Agreement specifically provided for the  
14 deduction of a processing fee of two hundred dollars (\$200.00), per transaction, from the policy  
15 premium, for “title search and examination, preparation of the commitment and Policy and other  
16 production costs associated with issuance of each Policy subject to reinsurance under this  
17 Agreement.” The balance of the policy premium was to be paid on a fifty percent (50%) quota  
18 share basis by LAWYERS to Citimortgage for assuming fifty percent (50%) of the risk; and,  
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21 33. On or about January 7, 2003, TRANSNATION entered into a Reinsurance  
22 Agreement with lender, Citimortgage, Inc. (“Citimortgage”), a Maryland corporation, whereby  
23 TRANSNATION agreed to reinsure all the title business it received from Citimortgage, through  
24 Chesapeake Title Reinsurance Company (“Chesapeake”), a Vermont corporation owned,  
25 operated, controlled and/or affiliated with Citimortgage. The Reinsurance Agreement specifically  
26 provided for the deduction of a processing fee of two hundred dollars (\$200.00), per transaction,  
27 from the policy premium, for “title search and examination, preparation of the commitment and  
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1 Policy and other production costs associated with issuance of each Policy subject to reinsurance  
2 under this Agreement.” The balance of the policy premium was to be paid on a fifty percent  
3 (50%) quota share basis by TRANSNATION to Citimortgage for assuming fifty percent (50%) of  
4 the risk; and,

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6 34. On or about May 15, 2003, COMMONWEALTH entered into a Reinsurance  
7 Agreement with realtor, B.O.S.S., Inc., d.b.a. Re/Max Beach Cities (“Re/Max Beach Cities”), a  
8 California corporation, whereby COMMONWEALTH agreed to reinsure all the title business it  
9 received from Re/Max Beach Cities, through LandAmerica Reinsurance Services, Inc.  
10 (“LandAmerica Reinsurance”), a Vermont reinsurance corporation owned, operated, controlled  
11 and/or affiliated with COMMONWEALTH. The Reinsurance Agreement specifically provided  
12 for the deduction of a processing fee of three hundred dollars (\$300.00), per transaction, from the  
13 policy premium, for “performing the examination, search, preparation, and issuance of the  
14 Commitment and Policies on those Policies of Ceder reinsured hereunder.” The balance of the  
15 policy premium was to be paid as follows: eighty percent (80%) was retained by  
16 COMMONWEALTH and twenty percent (20%) was paid to Re/Max Beach Cities for assuming  
17 twenty percent (20%) of the risk; and,

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19 35. On or about May 15, 2003, LAWYERS entered into a Reinsurance Agreement  
20 with realtor, B.O.S.S., Inc., d.b.a. Re/Max Beach Cities (“Re/Max Beach Cities”), a California  
21 corporation, whereby LAWYERS agreed to reinsure all the title business it received from  
22 Re/Max Beach Cities, through LandAmerica Reinsurance Services, Inc. (“LandAmerica  
23 Reinsurance”), a Vermont reinsurance corporation owned, operated, controlled and/or affiliated  
24 with LAWYERS. The Reinsurance Agreement specifically provided for the deduction of a  
25 processing fee of three hundred dollars (\$300.00), per transaction, from the policy premium, for  
26 “performing the examination, search, preparation, and issuance of the Commitment and Policies  
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1 on those Policies of Ceder reinsured hereunder.” The balance of the policy premium was to be  
2 paid as follows: eighty percent (80%) was retained by LAWYERS and twenty percent (20%) was  
3 paid to Re/Max Beach Cities for assuming twenty percent (20%) of the risk; and,

4           36. On or about June 1, 2003, COMMONWEALTH entered into a Reinsurance  
5 Agreement with realtor, S & J Stadtler, Inc., d.b.a. Re/Max Accord (“Re/Max Accord”), a  
6 California corporation, whereby COMMONWEALTH agreed to reinsure all the title business it  
7 received from Re/Max Accord, through LandAmerica Reinsurance Services, Inc. (“LandAmerica  
8 Reinsurance”), a Vermont reinsurance corporation owned, operated, controlled and/or affiliated  
9 with COMMONWEALTH. The Reinsurance Agreement specifically provided for the deduction  
10 of a processing fee of three hundred dollars (\$300.00), per transaction, from the policy premium,  
11 for “performing the examination, search, preparation, and issuance of the Commitment and  
12 Policies on those Policies of Ceder reinsured hereunder.” The balance of the policy premium was  
13 to be paid as follows: eighty percent (80%) was retained by COMMONWEALTH and twenty  
14 percent (20%) was paid to Re/Max Accord for assuming twenty percent (20%) of the risk; and,

15           37. On or about June 1, 2003, LAWYERS entered into a Participation Agreement with  
16 realtor, S & J Stadtler, Inc., d.b.a. Re/Max Accord (“Re/Max Accord”), a California corporation,  
17 whereby LAWYERS agreed to reinsure all the title business it received from Re/Max Accord,  
18 through LandAmerica Reinsurance Services, Inc. (“LandAmerica Reinsurance”), a Vermont  
19 reinsurance corporation owned, operated, controlled and/or affiliated with LAWYERS. The  
20 Participation Agreement specifically provided for the deduction of a processing fee of three  
21 hundred dollars (\$300.00), per transaction, from the policy premium, for “performing the  
22 examination, search, preparation, and issuance of the Commitment and Policies on those Policies  
23 of Ceder reinsured hereunder.” The balance of the policy premium was to be paid as follows:  
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1 eighty percent (80%) was retained by LAWYERS and twenty percent (20%) was paid to Re/Max  
2 Accord for assuming twenty percent (20%) of the risk; and,

3 38. On or about July 15, 2003, COMMONWEALTH entered into a Participation  
4 Agreement with realtor, First-Com Mortgage, Inc., d.b.a. Re/Max Real Estate Consultants  
5 (“Re/Max Real Estate Consultants”), a California corporation, whereby COMMONWEALTH  
6 agreed to reinsure all the title business it received from Re/Max Real Estate Consultants, through  
7 LandAmerica Reinsurance Services, Inc. (“LandAmerica Reinsurance”), a Vermont reinsurance  
8 corporation owned, operated, controlled and/or affiliated with COMMONWEALTH. The  
9 Participation Agreement specifically provided for the deduction of a processing fee of three  
10 hundred dollars (\$300.00), per transaction, from the policy premium, for “performing the  
11 examination, search, preparation, and issuance of the Commitment and Policies on those Policies  
12 of Ceder reinsured hereunder.” The balance of the policy premium was to be paid as follows:  
13 eighty percent (80%) was retained by COMMONWEALTH and twenty percent (20%) was paid  
14 to Re/Max Real Estate Consultants for assuming twenty percent (20%) of the risk; and,

17 39. On or about July 15, 2003, LAWYERS entered into a Participation Agreement  
18 with realtor, First-Com Mortgage, Inc., d.b.a. Re/Max Real Estate Consultants (“Re/Max Real  
19 Estate Consultants”), a California corporation, whereby LAWYERS agreed to reinsure all the title  
20 business it received from Re/Max Real Estate Consultants, through LandAmerica Reinsurance  
21 Services, Inc. (“LandAmerica Reinsurance”), a Vermont reinsurance corporation owned,  
22 operated, controlled and/or affiliated with LAWYERS. The Participation Agreement specifically  
23 provided for the deduction of a processing fee of three hundred dollars (\$300.00), per transaction,  
24 from the policy premium, for “performing the examination, search, preparation, and issuance of  
25 the Commitment and Policies on those Policies of Ceder reinsured hereunder.” The balance of  
26 the policy premium was to be paid as follows: eighty percent (80%) was retained by LAWYERS  
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1 and twenty percent (20%) was paid to Re/Max Real Estate Consultants for assuming twenty  
2 percent (20%) of the risk; and,

3           40.     On or about July 15, 2003, TRANSNATION entered into a Participation  
4 Agreement with realtor, First-Com Mortgage, Inc., d.b.a. Re/Max Real Estate Consultants  
5 (“Re/Max Real Estate Consultants”), a California corporation, whereby TRANSNATION agreed  
6 to reinsure all the title business it received from Re/Max Real Estate Consultants, through  
7 LandAmerica Reinsurance Services, Inc. (“LandAmerica Reinsurance”), a Vermont reinsurance  
8 corporation owned, operated, controlled and/or affiliated with TRANSNATION. The  
9 Participation Agreement specifically provided for the deduction of a processing fee of three  
10 hundred dollars (\$300.00), per transaction, from the policy premium, for “performing the  
11 examination, search, preparation, and issuance of the Commitment and Policies on those Policies  
12 of Ceder reinsured hereunder.” The balance of the policy premium was to be paid as follows:  
13 eighty percent (80%) was retained by TRANSNATION and twenty percent (20%) was paid to  
14 Re/Max Real Estate Consultants for assuming twenty percent (20%) of the risk; and,

17           41.     On or about September 17, 2003, COMMONWEALTH entered into a  
18 Participation Agreement with lender, United Home Mortgage Corporation (“United Home  
19 Mortgage”), a California corporation, whereby COMMONWEALTH agreed to reinsure all the  
20 title business it received from United Home Mortgage, through LandAmerica Reinsurance  
21 Services, Inc. (“LandAmerica Reinsurance”), a Vermont reinsurance corporation owned,  
22 operated, controlled and/or affiliated with COMMONWEALTH. The Participation Agreement  
23 specifically provided for the deduction of a processing fee of three hundred dollars (\$300.00), per  
24 transaction, from the policy premium, for “performing the examination, search, preparation, and  
25 issuance of the Commitment and Policies on those Policies of Ceder reinsured hereunder.” The  
26 balance of the policy premium was to be paid as follows: seventy percent (70%) was retained by  
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1 COMMONWEALTH and thirty percent (30%) was paid to United Home Mortgage for assuming  
2 thirty percent (30%) of the risk; and,

3 42. On or about October 24, 2003, LAWYERS entered into a Participation Agreement  
4 with realtor, CMC Residential, Inc., d.b.a. Coldwell Banker Town & Country ("Coldwell  
5 Banker"), a California corporation, whereby LAWYERS agreed to reinsure all the title business it  
6 received from Coldwell Banker, through LandAmerica Reinsurance Services, Inc.  
7 ("LandAmerica Reinsurance"), a Vermont reinsurance corporation owned, operated, controlled  
8 and/or affiliated with LAWYERS. The Participation Agreement specifically provided for the  
9 deduction of a processing fee of three hundred dollars (\$300.00), per transaction, from the policy  
10 premium, for "performing the examination, search, preparation, and issuance of the Commitment  
11 and Policies on those Policies of Ceder reinsured hereunder." The balance of the policy premium  
12 was to be paid as follows: eighty percent (80%) was retained by LAWYERS and twenty percent  
13 (20%) was paid to Coldwell Banker for assuming twenty percent (20%) of the risk; and,

14 43. On or about November 25, 2003, COMMONWEALTH entered into a Reinsurance  
15 Agreement with realtor, Zip Code Properties, Inc., d.b.a. Re/Max Professionals ("Re/Max  
16 Professionals"), a California corporation, whereby COMMONWEALTH agreed to reinsure all  
17 the title business it received from Re/Max Professionals, through LandAmerica Reinsurance  
18 Services, Inc. ("LandAmerica Reinsurance"), a Vermont reinsurance corporation owned,  
19 operated, controlled and/or affiliated with COMMONWEALTH. The Reinsurance Agreement  
20 specifically provided for the deduction of a processing fee of three hundred dollars (\$300.00), per  
21 transaction, from the policy premium, for "performing the examination, search, preparation, and  
22 issuance of the Commitment and Policies on those Policies of Ceder reinsured hereunder." The  
23 balance of the policy premium was to be paid as follows: eighty percent (80%) was retained by  
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1 COMMONWEALTH and twenty percent (20%) was paid to Re/Max Professionals for assuming  
2 twenty percent (20%) of the risk; and,

3 44. On or about November 25, 2003, LAWYERS entered into a Reinsurance  
4 Agreement with realtor, Zip Code Properties, Inc., d.b.a. Re/Max Professionals ("Re/Max  
5 Professionals"), a California corporation, whereby LAWYERS agreed to reinsure all the title  
6 business it received from Re/Max Professionals, through LandAmerica Reinsurance Services, Inc.  
7 ("LandAmerica Reinsurance"), a Vermont reinsurance corporation owned, operated, controlled  
8 and/or affiliated with LAWYERS. The Reinsurance Agreement specifically provided for the  
9 deduction of a processing fee of three hundred dollars (\$300.00), per transaction, from the policy  
10 premium, for "performing the examination, search, preparation, and issuance of the Commitment  
11 and Policies on those Policies of Ceder reinsured hereunder." The balance of the policy premium  
12 was to be paid as follows: eighty percent (80%) was retained by LAWYERS and twenty percent  
13 (20%) was paid to Re/Max Professionals for assuming twenty percent (20%) of the risk; and,

14 45. On or about December 2, 2003, COMMONWEALTH entered into a Reinsurance  
15 Agreement with homebuilder, Capital Plus Document Services, Inc. ("Capital Plus"), a California  
16 corporation, whereby COMMONWEALTH agreed to reinsure all the title business it received  
17 from Capital Plus, through LandAmerica Reinsurance Services, Inc. ("LandAmerica  
18 Reinsurance"), a Vermont reinsurance corporation owned, operated, controlled and/or affiliated  
19 with COMMONWEALTH. The Reinsurance Agreement specifically provided for the deduction  
20 of a processing fee of three hundred dollars (\$300.00), per transaction, from the policy premium,  
21 for "performing the examination, search, preparation, and issuance of the Commitment and  
22 Policies on those Policies of Ceder reinsured hereunder." The balance of the policy premium was  
23 to be paid as follows: eighty percent (80%) was retained by COMMONWEALTH and twenty  
24 percent (20%) was paid to Capital Plus for assuming twenty percent (20%) of the risk; and,  
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1           46.     On or about December 2, 2003, COMMONWEALTH entered into a Reinsurance  
2 Agreement with realtor, Re/Max College Park Realty, Inc. ("Re/Max College Park"), a California  
3 corporation, whereby COMMONWEALTH agreed to reinsure all the title business it received  
4 from Re/Max College Park, through LandAmerica Reinsurance Services, Inc. ("LandAmerica  
5 Reinsurance"), a Vermont reinsurance corporation owned, operated, controlled and/or affiliated  
6 with COMMONWEALTH. The Reinsurance Agreement specifically provided for the deduction  
7 of a processing fee of three hundred dollars (\$300.00), per transaction, from the policy premium,  
8 for "performing the examination, search, preparation, and issuance of the Commitment and  
9 Policies on those Policies of Ceder reinsured hereunder." The balance of the policy premium was  
10 to be paid as follows: eighty percent (80%) was retained by COMMONWEALTH and fifteen  
11 percent (15%) was paid to Re/Max College Park for assuming fifteen percent (15%) of the risk;  
12 and,  
13  
14

15           47.     On or about December 2, 2003, LAWYERS entered into a Reinsurance Agreement  
16 with realtor, Re/Max College Park Realty, Inc. ("Re/Max College Park"), a California  
17 corporation, whereby LAWYERS agreed to reinsure all the title business it received from  
18 Re/Max College Park, through LandAmerica Reinsurance Services, Inc. ("LandAmerica  
19 Reinsurance"), a Vermont reinsurance corporation owned, operated, controlled and/or affiliated  
20 with LAWYERS. The Reinsurance Agreement specifically provided for the deduction of a  
21 processing fee of three hundred dollars (\$300.00), per transaction, from the policy premium, for  
22 "performing the examination, search, preparation, and issuance of the Commitment and Policies  
23 on those Policies of Ceder reinsured hereunder." The balance of the policy premium was to be  
24 paid as follows: eighty percent (80%) was retained by LAWYERS and fifteen percent (15%) was  
25 paid to Re/Max College Park for assuming fifteen percent (15%) of the risk; and,  
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1           48.     On or about December 15, 2003, COMMONWEALTH entered into a Reinsurance  
2 Agreement with realtor, Asbury Park Financial, LLC, d.b.a. Re/Max Boulevard Brokerage Group,  
3 Inc. ("Re/Max Boulevard"), a California corporation, whereby COMMONWEALTH agreed to  
4 reinsure all the title business it received from Re/Max Boulevard, through LandAmerica  
5 Reinsurance Services, Inc. ("LandAmerica Reinsurance"), a Vermont reinsurance corporation  
6 owned, operated, controlled and/or affiliated with COMMONWEALTH. The Reinsurance  
7 Agreement specifically provided for the deduction of a processing fee of three hundred dollars  
8 (\$300.00), per transaction, from the policy premium, for "performing the examination, search,  
9 preparation, and issuance of the Commitment and Policies on those Policies of Ceder reinsured  
10 hereunder." The balance of the policy premium was to be paid as follows: eighty percent (80%)  
11 was retained by COMMONWEALTH and twenty percent (20%) was paid to Re/Max Boulevard  
12 for assuming twenty percent (20%) of the risk; and,  
13

14           49.     On or about December 15, 2003, LAWYERS entered into a Reinsurance  
15 Agreement with realtor, Asbury Park Financial, LLC, d.b.a. Re/Max Boulevard Brokerage Group,  
16 Inc. ("Re/Max Boulevard"), a California corporation, whereby LAWYERS agreed to reinsure all  
17 the title business it received from Re/Max Boulevard, through LandAmerica Reinsurance  
18 Services, Inc. ("LandAmerica Reinsurance"), a Vermont reinsurance corporation owned,  
19 operated, controlled and/or affiliated with LAWYERS. The Reinsurance Agreement specifically  
20 provided for the deduction of a processing fee of three hundred dollars (\$300.00), per transaction,  
21 from the policy premium, for "performing the examination, search, preparation, and issuance of  
22 the Commitment and Policies on those Policies of Ceder reinsured hereunder." The balance of  
23 the policy premium was to be paid as follows: eighty percent (80%) was retained by LAWYERS  
24 and twenty percent (20%) was paid to Re/Max Boulevard for assuming twenty percent (20%) of  
25 the risk; and,  
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1           50.     On or about June 2, 2004, COMMONWEALTH entered into Reinsurance  
2 Agreement with realtor, Sam Tim Corporation, d.b.a. Re/Max of North Orange County (“Re/Max  
3 of North Orange”), a California corporation, whereby COMMONWEALTH agreed to reinsure all  
4 the title business it received from Re/Max of North Orange, through LandAmerica Reinsurance  
5 Services, Inc. (“LandAmerica Reinsurance”), a Vermont reinsurance corporation owned,  
6 operated, controlled and/or affiliated with COMMONWEALTH. The Reinsurance Agreement  
7 specifically provided for the deduction of a processing fee of three hundred dollars (\$300.00), per  
8 transaction, from the policy premium, for “performing the examination, search, preparation, and  
9 issuance of the Commitment and Policies on those Policies of Ceder reinsured hereunder.” The  
10 balance of the policy premium was to be paid as follows: eighty percent (80%) was retained by  
11 COMMONWEALTH and twenty percent (20%) was paid to Re/Max of North Orange for  
12 assuming twenty percent (20%) of the risk; and,  
13

14           51.     On or about June 2, 2004, TRANSNATION entered into Reinsurance Agreement  
15 with realtor, Sam Tim Corporation, d.b.a. Re/Max of North Orange County (“Re/Max of North  
16 Orange”), a California corporation, whereby TRANSNATION agreed to reinsure all the title  
17 business it received from Re/Max of North Orange, through LandAmerica Reinsurance Services,  
18 Inc. (“LandAmerica Reinsurance”), a Vermont reinsurance corporation owned, operated,  
19 controlled and/or affiliated with TRANSNATION. The Reinsurance Agreement specifically  
20 provided for the deduction of a processing fee of three hundred dollars (\$300.00), per transaction,  
21 from the policy premium, for “performing the examination, search, preparation, and issuance of  
22 the Commitment and Policies on those Policies of Ceder reinsured hereunder.” The balance of  
23 the policy premium was to be paid as follows: eighty percent (80%) was retained by  
24 TRANSNATION and twenty percent (20%) was paid to Re/Max of North Orange for assuming  
25 twenty percent (20%) of the risk; and,  
26  
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1           52.     On or about July 22, 2004, LAWYERS entered into a Participation Agreement  
2 with realtor, Fudosan, Inc., d.b.a. Re/Max Experience (“Re/Max Experience”) a California  
3 corporation, whereby LAWYERS agreed to reinsure all the title business it received from  
4 Re/Max Experience, through LandAmerica Reinsurance Services, Inc. (“LandAmerica  
5 Reinsurance”), a Vermont reinsurance corporation owned, operated, controlled and/or affiliated  
6 with LAWYERS. The Participation Agreement specifically provided for the deduction of a  
7 processing fee of three hundred dollars (\$300.00), per transaction, from the policy premium, for  
8 “performing the examination, search, preparation, and issuance of the Commitment and Policies  
9 on those Policies of Ceder reinsured hereunder.” The balance of the policy premium was to be  
10 paid as follows: eighty percent (80%) was retained by LAWYERS and twenty percent (20%) was  
11 paid to Re/Max Experience for assuming twenty percent (20%) of the risk; and,  
12

13           53.     On or about September 15, 2004, COMMONWEALTH entered into a Reinsurance  
14 Agreement with lender, Capital Bancorp, d.b.a. KD Reinsurance Co. L.L.C. (“KD Reinsurance”),  
15 a Michigan corporation, whereby COMMONWEALTH agreed to reinsure all the title business it  
16 received from KD Reinsurance, through LandAmerica Reinsurance Services, Inc. (“LandAmerica  
17 Reinsurance”), a Vermont reinsurance corporation owned, operated, controlled and/or affiliated  
18 with COMMONWEALTH. The Reinsurance Agreement specifically provided for the deduction  
19 of a processing fee of three hundred dollars (\$300.00), per transaction, from the policy premium,  
20 for “performing the examination, search, preparation, and issuance of the Commitment and  
21 Policies on those Policies of Ceder reinsured hereunder.” The balance of the policy premium was  
22 to be paid as follows: seventy percent (70%) was retained by COMMONWEALTH and thirty  
23 percent (30%) was paid to KD Reinsurance for assuming thirty percent (30%) of the risk; and,  
24

25           54.     On or about September 15, 2004, LAWYERS entered into a Reinsurance  
26 Agreement with lender, Capital Bancorp, d.b.a. KD Reinsurance Co. L.L.C. (“KD Reinsurance”),  
27  
28

1 a Michigan corporation, whereby LAWYERS agreed to reinsure all the title business it received  
2 from KD Reinsurance, through LandAmerica Reinsurance Services, Inc. ("LandAmerica  
3 Reinsurance"), a Vermont reinsurance corporation owned, operated, controlled and/or affiliated  
4 with LAWYERS. The Reinsurance Agreement specifically provided for the deduction of a  
5 processing fee of three hundred dollars (\$300.00), per transaction, from the policy premium, for  
6 "performing the examination, search, preparation, and issuance of the Commitment and Policies  
7 on those Policies of Ceder reinsured hereunder." The balance of the policy premium was to be  
8 paid as follows: seventy percent (70%) was retained by LAWYERS and thirty percent (30%) was  
9 paid to KD Reinsurance for assuming thirty percent (30%) of the risk; and,  
10

11 55. On or about September 15, 2004, TRANSNATION entered into a Reinsurance  
12 Agreement with lender, Capital Bancorp, d.b.a. KD Reinsurance Co. L.L.C. ("KD Reinsurance"),  
13 a Michigan corporation, whereby TRANSNATION agreed to reinsure all the title business it  
14 received from KD Reinsurance, through LandAmerica Reinsurance Services, Inc. ("LandAmerica  
15 Reinsurance"), a Vermont reinsurance corporation owned, operated, controlled and/or affiliated  
16 with TRANSNATION. The Reinsurance Agreement specifically provided for the deduction of a  
17 processing fee of three hundred dollars (\$300.00), per transaction, from the policy premium, for  
18 "performing the examination, search, preparation, and issuance of the Commitment and Policies  
19 on those Policies of Ceder reinsured hereunder." The balance of the policy premium was to be  
20 paid as follows: seventy percent (70%) was retained by TRANSNATION and thirty percent  
21 (30%) was paid to KD Reinsurance for assuming thirty percent (30%) of the risk; and,  
22

23 56. On or about September 22, 2004, LAWYERS entered into a Reinsurance  
24 Agreement with realtor, South Bay Brokers, Inc. ("South Bay Brokers"), a California corporation,  
25 whereby LAWYERS agreed to reinsure all the title business it received from South Bay Brokers,  
26 through LandAmerica Reinsurance Services, Inc. ("LandAmerica Reinsurance"), a Vermont  
27  
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1 reinsurance corporation owned, operated, controlled and/or affiliated with LAWYERS. The  
2 Reinsurance Agreement specifically provided for the deduction of a processing fee of three  
3 hundred dollars (\$300.00), per transaction, from the policy premium, for “performing the  
4 examination, search, preparation, and issuance of the Commitment and Policies on those Policies  
5 of Ceder reinsured hereunder.” The balance of the policy premium was to be paid as follows:  
6 eighty-five percent (85%) was retained by LAWYERS and fifteen percent (15%) was paid to  
7 South Bay Brokers for assuming fifteen percent (15%) of the risk; and,

9         57. On or about September 30, 2004, COMMONWEALTH entered into a  
10 Participation Agreement with realtor, KMG Realty (“KMG Realty”), a California company,  
11 whereby COMMONWEALTH agreed to reinsure all the title business it received from KMG  
12 Realty, through LandAmerica Reinsurance Services, Inc. (“LandAmerica Reinsurance”), a  
13 Vermont reinsurance corporation owned, operated, controlled and/or affiliated with  
14 COMMONWEALTH. The Participation Agreement specifically provided for the deduction of a  
15 processing fee of three hundred dollars (\$300.00), per transaction, from the policy premium, for  
16 “performing the examination, search, preparation, and issuance of the Commitment and Policies  
17 on those Policies of Ceder reinsured hereunder.” The balance of the policy premium was to be  
18 paid as follows: eighty percent (80%) was retained by COMMONWEALTH and twenty percent  
19 (20%) was paid to KMG Realty for assuming twenty percent (20%) of the risk; and,

22         58. On or about September 30, 2004, LAWYERS entered into a Participation  
23 Agreement with realtor, KMG Realty (“KMG Realty”), a California company, whereby  
24 LAWYERS agreed to reinsure all the title business it received from KMG Realty, through  
25 LandAmerica Reinsurance Services, Inc. (“LandAmerica Reinsurance”), a Vermont reinsurance  
26 corporation owned, operated, controlled and/or affiliated with LAWYERS. The Participation  
27 Agreement specifically provided for the deduction of a processing fee of three hundred dollars  
28

1 (\$300.00), per transaction, from the policy premium, for “performing the examination, search,  
2 preparation, and issuance of the Commitment and Policies on those Policies of Ceder reinsured  
3 hereunder.” The balance of the policy premium was to be paid as follows: eighty percent (80%)  
4 was retained by LAWYERS and twenty percent (20%) was paid to KMG Realty for assuming  
5 twenty percent (20%) of the risk; and,  
6

7 59. On or about September 30, 2004, TRANSNATION entered into a Participation  
8 Agreement with realtor, KMG Realty (“KMG Realty”), a California company, whereby  
9 TRANSNATION agreed to reinsure all the title business it received from KMG Realty, through  
10 LandAmerica Reinsurance Services, Inc. (“LandAmerica Reinsurance”), a Vermont reinsurance  
11 corporation owned, operated, controlled and/or affiliated with TRANSNATION. The  
12 Participation Agreement specifically provided for the deduction of a processing fee of three  
13 hundred dollars (\$300.00), per transaction, from the policy premium, for “performing the  
14 examination, search, preparation, and issuance of the Commitment and Policies on those Policies  
15 of Ceder reinsured hereunder.” The balance of the policy premium was to be paid as follows:  
16 eighty percent (80%) was retained by TRANSNATION and twenty percent (20%) was paid to  
17 KMG Realty for assuming twenty percent (20%) of the risk; and,  
18

19 60. On or about December 30, 2004, COMMONWEALTH entered into a Reinsurance  
20 Agreement with Beazer Homes USA, Inc. (“Beazer”), a Georgia corporation, whereby  
21 COMMONWEALTH agreed to reinsure all the title business it received from Beazer, through  
22 Security Title Insurance Company (“Security Title”), a Vermont reinsurance corporation owned,  
23 operated, controlled and/or affiliated with Beazer. The Reinsurance Agreement specifically  
24 provided for the deduction of a processing fee of three hundred forty five dollars (\$345.00), per  
25 transaction, from the policy premium, for “examination and preparation of title commitments and  
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1 policies.” The balance of the policy premium was to be paid on a fifty percent (50%) quota share  
2 basis by COMMONWEALTH to Beazer for assuming fifty percent (50%) of the risk; and,

3 61. Each of Automatic Reinsurance, Reinsurance, and Participation Agreements  
4 identified herein, covered one-to-four family residential properties, and/or land that was to be  
5 developed into one-to-four family residential properties; and,

7 62. Each of the Automatic Reinsurance, Reinsurance, and Participation Agreements  
8 identified herein covered transactions involving federally related mortgage loans; and,

9 63. Between 1997 and 2004, COMMONWEALTH transacted two thousand five  
10 hundred eighty nine (2,589) orders of title insurance policies in California, through their captive  
11 reinsurance arrangements, amounting to four hundred seventy eight thousand eight hundred thirty  
12 six dollars and seventy-five cents (\$478,836.75) in ceded premiums. The Commissioner has  
13 reason to believe that the average gross premium for each of these orders was nine hundred eighty  
14 dollars (\$980.00); and,

16 64. Between 1997 and 2004, LAWYERS transacted nine thousand nine hundred  
17 seventy three (9,973) orders of title insurance policies in California, through their captive  
18 reinsurance arrangements, amounting to two million one hundred four hundred thousand eighty  
19 seven dollars and seventy-eight cents (\$2,104,087.78) in ceded premiums. The Commissioner  
20 has reason to believe that the average gross premium for each of these orders was nine hundred  
21 eighty dollars (\$980.00); and,

23 65. Between 1997 and 2004, TRANSNATION transacted two hundred thirty six (236)  
24 orders of title insurance policies in California, through their captive reinsurance arrangements,  
25 amounting to fifty thousand four hundred eighty five dollars and seventy-five cents (\$50,485.75)  
26 in ceded premiums. The Commissioner has reason to believe that the average gross premium for  
27 each of these orders was nine hundred eighty dollars (\$980.00); and,  
28

1           66.     From 1997 through 2004, COMMONWEALTH filed Annual Statements with the  
2 Commissioner pursuant to California Insurance Code §900. Each of these Annual Statements  
3 was signed by officers of COMMONWEALTH attesting to the truth of the statement of assets  
4 and liabilities contained in the Annual Statements. Included in these Annual Statements are the  
5 Operations and Investment Exhibit Statement of Income, which shows losses and loss adjustment  
6 expenses incurred and title insurance premiums earned. These resulted in loss and loss  
7 adjustment expense ratios (loss and loss adjustment expenses incurred divided by title insurance  
8 premiums earned) ranging from 3.45 percent in 1997 to a high of 6.22 percent in 2000, resulting  
9 in an average loss and loss adjustment expense ratio of 4.51 percent for the period from 1997  
10 through 2004; and,

12           67.     In March 2005, COMMONWEALTH filed its 2004 Annual Statement with the  
13 Commissioner, pursuant to California Insurance Code §900. This Annual Statement was signed  
14 by officers of COMMONWEALTH attesting to the truth of the statement of assets and liabilities  
15 contained therein. Data from Schedule F of Respondent's 2004 Annual Statement reveals that  
16 COMMONWEALTH reported total ceded premiums provided to captive and sponsored  
17 reinsurers, for the calendar year 2004, in the amount of four hundred seventy-eight thousand eight  
18 hundred thirty six dollars and seventy-five cents (\$478,836.75). At year end 2004,  
19 COMMONWEALTH also reported recoveries from the captive reinsurers on losses paid by  
20 COMMONWEALTH of zero dollars (\$0), anticipated recoveries from the captive reinsurers on  
21 claims reported to COMMONWEALTH of zero dollars (\$0), and anticipated recoveries from the  
22 captive reinsurers on claims that had been incurred but not yet reported to COMMONWEALTH  
23 of zero dollars (\$0), thereby indicating no real transfer of risk or expectation of transfer of risk;  
24 and,  
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1           68.     For the years 1997 through 2003, COMMONWEALTH filed Annual Statements  
2 with the Commissioner, pursuant to California Insurance Code §900. These Annual Statements  
3 were signed by officers of COMMONWEALTH attesting to the truth of the statement of assets  
4 and liabilities contained therein. Data from Schedule F of Respondent's 1997 through 2003  
5 Annual Statements reveal that COMMONWEALTH did not report any reinsurance losses ceded  
6 through the captive reinsurance program; and,

8           69.     From 1997 through 2004, LAWYERS filed Annual Statements with the  
9 Commissioner pursuant to California Insurance Code §900. Each of these Annual Statements  
10 was signed by officers of LAWYERS attesting to the truth of the statement of assets and  
11 liabilities contained in the Annual Statements. Included in these Annual Statements are the  
12 Operations and Investment Exhibit Statement of Income, which shows losses and loss adjustment  
13 expenses incurred and title insurance premiums earned. These resulted in loss and loss  
14 adjustment expense ratios (loss and loss adjustment expenses incurred divided by title insurance  
15 premiums earned) ranging from 4.10 percent in 1999 to a high of 6.34 percent in 1997, resulting  
16 in an average loss and loss adjustment expense ratio of 4.82 percent for the period from 1997  
17 through 2004; and,

19           70.     In March 2005, LAWYERS filed its 2004 Annual Statement with the  
20 Commissioner, pursuant to California Insurance Code §900. This Annual Statement was signed  
21 by officers of LAWYERS attesting to the truth of the statement of assets and liabilities contained  
22 therein. Data from Schedule F of Respondent's 2004 Annual Statement reveals that LAWYERS  
23 reported total ceded premiums provided to captive and sponsored reinsurers, for the calendar year  
24 2004, in the amount of two million one hundred four thousand eighty-seven dollars and seventy-  
25 eight cents (\$2,104,087.78). At year end 2004, LAWYERS also reported recoveries from the  
26 captive reinsurers on losses paid by LAWYERS of zero dollars (\$0), anticipated recoveries from  
27  
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1 the captive reinsurers on claims reported to LAWYERS of zero dollars (\$0), and anticipated  
2 recoveries from the captive reinsurers on claims that had been incurred but not yet reported to  
3 LAWYERS of zero dollars (\$0), thereby indicating no real transfer of risk or expectation of  
4 transfer of risk; and,

5  
6 71. For the years 1997 through 2003, LAWYERS filed Annual Statements with the  
7 Commissioner, pursuant to California Insurance Code §900. These Annual Statements were  
8 signed by officers of LAWYERS attesting to the truth of the statement of assets and liabilities  
9 contained therein. Data from Schedule F of Respondent's 1997 through 2003 Annual Statements  
10 reveal that LAWYERS did not report any reinsurance losses ceded through the captive  
11 reinsurance program; and,

12  
13 72. From 1997 through 2004, TRANSNATION filed Annual Statements with the  
14 Commissioner pursuant to California Insurance Code §900. Each of these Annual Statements  
15 was signed by officers of TRANSNATION attesting to the truth of the statement of assets and  
16 liabilities contained in the Annual Statements. Included in these Annual Statements are the  
17 Operations and Investment Exhibit Statement of Income, which shows losses and loss adjustment  
18 expenses incurred and title insurance premiums earned. These resulted in loss and loss  
19 adjustment expense ratios (loss and loss adjustment expenses incurred divided by title insurance  
20 premiums earned) ranging from 3.97 percent in 1998 to a high of 8.22 percent in 2002, resulting  
21 in an average loss and loss adjustment expense ratio of 5.62 percent for the period from 1997  
22 through 2004; and,

23  
24 73. In March 2005, TRANSNATION filed its 2004 Annual Statement with the  
25 Commissioner, pursuant to California Insurance Code §900. This Annual Statement was signed  
26 by officers of TRANSNATION attesting to the truth of the statement of assets and liabilities  
27 contained therein. Data from Schedule F of Respondent's 2004 Annual Statement reveals that  
28

1 TRANSNATION reported total ceded premiums provided to captive and sponsored reinsurers,  
2 for the calendar year 2004, in the amount of fifty thousand four hundred eighty five dollars and  
3 seventy-five cents (\$50,485.75). At year end 2004, TRANSNATION also reported recoveries  
4 from the captive reinsurers on losses paid by TRANSNATION of zero dollars (\$0), anticipated  
5 recoveries from the captive reinsurers on claims reported to TRANSNATION of zero dollars  
6 (\$0), and anticipated recoveries from the captive reinsurers on claims that had been incurred but  
7 not yet reported to TRANSNATION of zero dollars (\$0), thereby indicating no real transfer of  
8 risk or expectation of transfer of risk; and,

10 74. For the years 1997 through 2003, TRANSNATION filed Annual Statements with  
11 the Commissioner, pursuant to California Insurance Code §900. These Annual Statements were  
12 signed by officers of TRANSNATION attesting to the truth of the statement of assets and  
13 liabilities contained therein. Data from Schedule F of Respondent's 1997 through 2003 Annual  
14 Statements reveal that TRANSNATION did not report any reinsurance losses ceded through the  
15 captive reinsurance program; and,

17 75. On January 4, 1999, in File No. LA 15222 AEX, the Insurance Commissioner  
18 issued a final Order, against COMMONWEALTH, prohibiting COMMONWEALTH from, inter  
19 alia, engaging in illegal rebate activities in violation of California Insurance Code §§12404 et seq.

### 21 **STATUTORY ALLEGATIONS**

22 76. The facts alleged herein demonstrate that LANDAMERICA  
23 REINSURANCE SERVICES, INC. has transacted reinsurance business in the State of California  
24 without first being admitted for that class, in direct violation of California Insurance Code  
25 §700(a), and constitute grounds for the Insurance Commissioner to assess a monetary fine  
26 pursuant to California Insurance Code §700(b); and,

27 77. The facts alleged herein demonstrate that COMMONWEALTH has engaged in  
28

1 activities which aided the transaction of insurance by LANDAMERICA REINSURANCE  
2 SERVICES, INC. in direct violation of California Insurance Code §703(c), and constitute  
3 grounds for the Insurance Commissioner to assess a monetary fine pursuant to California  
4 Insurance Code §703; and,

5  
6 78. The facts alleged herein demonstrate that LAWYERS has engaged in  
7 activities which aided the transaction of insurance by LANDAMERICA REINSURANCE  
8 SERVICES, INC. in direct violation of California Insurance Code §703(c), and constitute  
9 grounds for the Insurance Commissioner to assess a monetary fine pursuant to California  
10 Insurance Code §703; and,

11  
12 79. The facts alleged herein demonstrate that TRANSNATION has engaged in  
13 activities which aided the transaction of insurance by LANDAMERICA REINSURANCE  
14 SERVICES, INC. in direct violation of California Insurance Code §703(c), and constitute  
15 grounds for the Insurance Commissioner to assess a monetary fine pursuant to California  
16 Insurance Code §703; and,

17  
18 80. The facts alleged herein demonstrate that COMMONWEALTH has engaged in  
19 activities which constitute an unfair method of competition and/or unfair or deceptive acts or  
20 practices in this State in violation of subsections (d) and (e) of §790.03 of the California  
21 Insurance Code, and constitute grounds for the Insurance Commissioner to suspend or revoke  
22 COMMONWEALTH'S Certificate of Authority pursuant to California Insurance Code §790.08;  
23 and,

24  
25 81. The facts alleged herein demonstrate that LAWYERS has engaged in activities  
26 which constitute an unfair method of competition and/or unfair or deceptive acts or practices in  
27 this State in violation of subsections (d) and (e) of §790.03 of the California Insurance Code, and  
28

1 constitute grounds for the Insurance Commissioner to suspend or revoke LAWYERS' Certificate  
2 of Authority pursuant to California Insurance Code §790.08; and,

3       82.     The facts alleged herein demonstrate that TRANSNATION has engaged in  
4 activities which constitute an unfair method of competition and/or unfair or deceptive acts or  
5 practices in this State in violation of subsections (d) and (e) of §790.03 of the California  
6 Insurance Code, and constitute grounds for the Insurance Commissioner to suspend or revoke  
7 TRANSNATION'S Certificate of Authority pursuant to California Insurance Code §790.08; and,

8       83.     The facts alleged herein demonstrate that COMMONWEALTH has made  
9 payments in the form of commissions, compensation, and/or other consideration to any person as  
10 an inducement for the placement or referral of title business, and constitute an unfair method of  
11 competition and/or unfair or deceptive acts or practices in the marketplace affecting title  
12 insurance competitors and consumers in this State that are not defined in California Insurance  
13 Code §790.03, in violation of subsection (a) of §790.06 of the California Insurance Code, and  
14 constitute grounds for the Insurance Commissioner to suspend or revoke COMMONWEALTH'S  
15 Certificate of Authority pursuant to California Insurance Code §790.08; and,

16       84.     The facts alleged herein demonstrate that LAWYERS has made payments in the  
17 form of commissions, compensation, and/or other consideration to any person as an inducement  
18 for the placement or referral of title business, and constitute an unfair method of competition  
19 and/or unfair or deceptive acts or practices in the marketplace affecting title insurance  
20 competitors and consumers in this State that are not defined in California Insurance Code  
21 §790.03, in violation of subsection (a) of §790.06 of the California Insurance Code, and constitute  
22 grounds for the Insurance Commissioner to suspend or revoke LAWYERS' Certificate of  
23 Authority pursuant to California Insurance Code §790.08; and,  
24  
25  
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1           85.     The facts alleged herein demonstrate that TRANSNATION has made payments in  
2 the form of commissions, compensation, and/or other consideration to any person as an  
3 inducement for the placement or referral of title business, and constitute an unfair method of  
4 competition and/or unfair or deceptive acts or practices in the marketplace affecting title  
5 insurance competitors and consumers in this State that are not defined in California Insurance  
6 Code §790.03, in violation of subsection (a) of §790.06 of the California Insurance Code, and  
7 constitute grounds for the Insurance Commissioner to suspend or revoke TRANSNATION'S  
8 Certificate of Authority pursuant to California Insurance Code §790.08; and,

10           86.     The facts alleged herein demonstrate that COMMONWEALTH has filed false  
11 annual and financial statements with the Insurance Commissioner in direct contravention of  
12 California Insurance Code §§900 and 900.9, and constitute grounds for the Insurance  
13 Commissioner to suspend or revoke COMMONWEALTH'S Certificate of Authority pursuant to  
14 California Insurance Code §900.8; and,

16           87.     The facts alleged herein demonstrate that LAWYERS has filed false annual and  
17 financial statements with the Insurance Commissioner in direct contravention of California  
18 Insurance Code §§900 and 900.9, and constitute grounds for the Insurance Commissioner to  
19 suspend or revoke LAWYERS' Certificate of Authority pursuant to California Insurance Code  
20 §900.8; and,

22           88.     The facts alleged herein demonstrate that TRANSNATION has filed false annual  
23 and financial statements with the Insurance Commissioner in direct contravention of California  
24 Insurance Code §§900 and 900.9, and constitute grounds for the Insurance Commissioner to  
25 suspend or revoke TRANSNATION'S Certificate of Authority pursuant to California Insurance  
26 Code §900.8; and,

1           89.     The facts alleged herein demonstrate that the transfer of risk was not  
2 commensurate with the premium ceded to the reinsurer and represented payments by  
3 COMMONWEALTH in the form of commissions, compensation, and/or other consideration to  
4 any person as an inducement for the placement or referral of title business in direct contravention  
5 of California Insurance Code §§12404 (a) and (c), and constitute grounds for the Insurance  
6 Commissioner to assess a monetary penalty in the amount of five times the illegal rebate pursuant  
7 to California Insurance Code §12409; and,

9           90.     The facts alleged herein demonstrate that COMMONWEALTH has made  
10 payments in the form of commissions, compensation, and/or other consideration to any person as  
11 an inducement for the placement or referral of title business in direct contravention of California  
12 Insurance Code §§12404(a) and (c), and constitute grounds for the Insurance Commissioner to  
13 restrict or suspend COMMONWEALTH'S Certificate of Authority pursuant to California  
14 Insurance Code §12409; and,

16           91.     The facts alleged herein demonstrate that the transfer of risk was not  
17 commensurate with the premium ceded to the reinsurer and represented payments by LAWYERS  
18 in the form of commissions, compensation, and/or other consideration to any person as an  
19 inducement for the placement or referral of title business in direct contravention of California  
20 Insurance Code §§12404 (a) and (c), and constitute grounds for the Insurance Commissioner to  
21 assess a monetary penalty in the amount of five times the illegal rebate pursuant to California  
22 Insurance Code §12409; and,

24           92.     The facts alleged herein demonstrate that LAWYERS has made payments in the  
25 form of commissions, compensation, and/or other consideration to any person as an inducement  
26 for the placement or referral of title business in direct contravention of California Insurance Code  
27  
28

1 §§12404(a) and (c), and constitute grounds for the Insurance Commissioner to restrict or suspend  
2 LAWYERS' Certificate of Authority pursuant to California Insurance Code §12409; and,

3 93. The facts alleged herein demonstrate that the transfer of risk was not  
4 commensurate with the premium ceded to the reinsurer and represented payments by  
5 TRANSNATION in the form of commissions, compensation, and/or other consideration to any  
6 person as an inducement for the placement or referral of title business in direct contravention of  
7 California Insurance Code §§12404 (a) and (c), and constitute grounds for the Insurance  
8 Commissioner to assess a monetary penalty in the amount of five times the illegal rebate pursuant  
9 to California Insurance Code §12409; and,

11 94. The facts alleged herein demonstrate that TRANSNATION has made payments in  
12 the form of commissions, compensation, and/or other consideration to any person as an  
13 inducement for the placement or referral of title business in direct contravention of California  
14 Insurance Code §§12404(a) and (c), and constitute grounds for the Insurance Commissioner to  
15 restrict or suspend TRANSNATION'S Certificate of Authority pursuant to California Insurance  
16 Code §12409; and,

18 95. The facts alleged herein demonstrate that COMMONWEALTH has rebated any  
19 portion of the fee charged for a title policy, in direct contravention of California Insurance Code  
20 §12405, and constitute grounds for the Insurance Commissioner to restrict or suspend  
21 COMMONWEALTH'S Certificate of Authority pursuant to California Insurance Code §12409;  
22 and,

24 96. The facts alleged herein demonstrate that LAWYERS has rebated any portion of  
25 the fee charged for a title policy, in direct contravention of California Insurance Code §12405,  
26 and constitute grounds for the Insurance Commissioner to restrict or suspend LAWYERS'  
27 Certificate of Authority pursuant to California Insurance Code §12409; and,



1           97.     The facts alleged herein demonstrate that TRANSNATION has rebated any  
2 portion of the fee charged for a title policy, in direct contravention of California Insurance Code  
3 §12405, and constitute grounds for the Insurance Commissioner to restrict or suspend  
4 TRANSNATION'S Certificate of Authority pursuant to California Insurance Code §12409; and,

5           98.     The facts alleged herein demonstrate that COMMONWEALTH has willfully  
6 failed to comply with a final Order of the Commissioner dated January 4, 1999 in File No. LA  
7 15222 AEX; and,

8           99.     The facts alleged herein demonstrate that COMMONWEALTH has provided  
9 kickbacks for the referral of title insurance business in connection with transactions involving  
10 federally related mortgage loans, in direct contravention of RESPA, 12 U.S.C. §2607(a) and 24  
11 C.F.R. §3500.14(g)(4), and constitute grounds for the Insurance Commissioner to assess  
12 monetary penalties pursuant to 12 U.S.C. §2607(d)(1); and,

13           96.     The facts alleged herein demonstrate that LAWYERS has provided kickbacks for  
14 the referral of title insurance business in connection with transactions involving federally related  
15 mortgage loans, in direct contravention of RESPA, 12 U.S.C. §2607(a) and 24 C.F.R.  
16 §3500.14(g)(4), and constitute grounds for the Insurance Commissioner to assess monetary  
17 penalties pursuant to 12 U.S.C. §2607(d)(1); and,

18           97.     The facts alleged herein demonstrate that TRANSNATION has provided  
19 kickbacks for the referral of title insurance business in connection with transactions involving  
20 federally related mortgage loans, in direct contravention of RESPA, 12 U.S.C. §2607(a) and 24  
21 C.F.R. §3500.14(g)(4), and constitute grounds for the Insurance Commissioner to assess  
22 monetary penalties pursuant to 12 U.S.C. §2607(d)(1); and,

23           98.     The facts alleged herein demonstrate that COMMONWEALTH has provided  
24 kickbacks for the referral of title insurance business in connection with transactions involving  
25  
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1 federally related mortgage loans, in direct contravention of RESPA, 12 U.S.C. §2607(a) and 24  
2 C.F.R. §3500.14(g)(4), and constitute grounds for the Insurance Commissioner to assess treble  
3 damages pursuant to 12 U.S.C. §2607(d)(2); and,

4 99. The facts alleged herein demonstrate that LAWYERS has provided kickbacks for  
5 the referral of title insurance business in connection with transactions involving federally related  
6 mortgage loans, in direct contravention of RESPA, 12 U.S.C. §2607(a) and 24 C.F.R.  
7 §3500.14(g)(4), and constitute grounds for the Insurance Commissioner to assess treble damages  
8 pursuant to 12 U.S.C. §2607(d)(2); and,

10 100. The facts alleged herein demonstrate that TRANSNATION has provided  
11 kickbacks for the referral of title insurance business in connection with transactions involving  
12 federally related mortgage loans, in direct contravention of RESPA, 12 U.S.C. §2607(a) and 24  
13 C.F.R. §3500.14(g)(4), and constitute grounds for the Insurance Commissioner to assess treble  
14 damages pursuant to 12 U.S.C. §2607(d)(2); and,

16 101. The facts alleged herein demonstrate that COMMONWEALTH has provided  
17 kickbacks for the referral of title insurance business in connection with transactions involving  
18 federally related mortgage loans, in direct contravention of RESPA, 12 U.S.C. §2607(a) and 24  
19 C.F.R. §3500.14(g)(4), and constitute grounds for the Insurance Commissioner to enjoin further  
20 violations of these sections; and,

22 102. The facts alleged herein demonstrate that LAWYERS has provided kickbacks for  
23 the referral of title insurance business in connection with transactions involving federally related  
24 mortgage loans, in direct contravention of RESPA, 12 U.S.C. §2607(a) and 24 C.F.R.  
25 §3500.14(g)(4), and constitute grounds for the Insurance Commissioner to enjoin further  
26 violations of these sections; and,

1           103. The facts alleged herein demonstrate that TRANSNATION has provided  
2 kickbacks for the referral of title insurance business in connection with transactions involving  
3 federally related mortgage loans, in direct contravention of RESPA, 12 U.S.C. §2607(a) and 24  
4 C.F.R. §3500.14(g)(4), and constitute grounds for the Insurance Commissioner to enjoin further  
5 violations of these sections; and,  
6

7           104. The Insurance Commissioner hereby notifies COMMONWEALTH that based  
8 upon the facts alleged herein, COMMONWEALTH is in violation of California Insurance Code  
9 §§703(c), 790.03, 790.06, 900.8, 900.9, 12404(a) and (c), and 12405, and RESPA, 12 U.S.C.  
10 §2607(a), and that COMMONWEALTH has ten (10) days to comply with the provisions of those  
11 Sections, or COMMONWEALTH will be considered to be willfully failing to comply. If  
12 COMMONWEALTH is found willfully failing to comply, it will be subject to an Order by the  
13 Commissioner prohibiting it from conducting its businesses for a period of not more than one  
14 year, and will also be subject to the suspension or revocation of its licenses and licensing rights  
15 by the Insurance Commissioner pursuant to California Insurance Code §§790.08 and 12411; and,  
16

17           105. The Insurance Commissioner hereby notifies LAWYERS that based upon the facts  
18 alleged herein, LAWYERS is in violation of California Insurance Code §§703(c), 790.03, 790.06,  
19 900.8, 900.9, 12404(a) and (c), and 12405, and RESPA, 12 U.S.C. §2607(a), and that LAWYERS  
20 has ten (10) days to comply with the provisions of those Sections, or LAWYERS will be  
21 considered to be willfully failing to comply. If LAWYERS is found willfully failing to comply, it  
22 will be subject to an Order by the Commissioner prohibiting it from conducting its businesses for  
23 a period of not more than one year, and will also be subject to the suspension or revocation of its  
24 licenses and licensing rights by the Insurance Commissioner pursuant to California Insurance  
25 Code §§790.08 and 12411; and,  
26  
27  
28

1           106. The Insurance Commissioner hereby notifies TRANSNATION that based upon  
2 the facts alleged herein, TRANSNATION is in violation of California Insurance Code §§703(c),  
3 790.03, 790.06, 900.8, 900.9, 12404(a) and (c), and 12405, and RESPA, 12 U.S.C. §2607(a), and  
4 that TRANSNATION has ten (10) days to comply with the provisions of those Sections, or  
5 TRANSNATION will be considered to be willfully failing to comply. If TRANSNATION is  
6 found willfully failing to comply, it will be subject to an Order by the Commissioner prohibiting  
7 it from conducting its businesses for a period of not more than one year, and will also be subject  
8 to the suspension or revocation of its licenses and licensing rights by the Insurance Commissioner  
9 pursuant to California Insurance Code §§790.08 and 12411; and,

11           107. The Insurance Commissioner hereby notifies LANDAMERICA REINSURANCE  
12 SERVICES, INC. that based upon the facts alleged herein, LANDAMERICA REINSURANCE  
13 SERVICES, INC. is in violation of California Insurance Code §§700, 790.03, 790.06, 12404(a)  
14 and (c), and 12405, and RESPA, 12 U.S.C. §2607(a), and that LANDAMERICA  
15 REINSURANCE SERVICES, INC. has ten (10) days to comply with the provisions of those  
16 Sections, or LANDAMERICA REINSURANCE SERVICES, INC. will be considered to be  
17 willfully failing to comply. If LANDAMERICA REINSURANCE SERVICES, INC. is found  
18 willfully failing to comply, it will be subject to an Order by the Commissioner prohibiting it from  
19 conducting its businesses for a period of not more than one year, pursuant to California Insurance  
20 Code §790.08 and 12411.

23                                   **DEMAND PURSUANT TO**  
24                                   **CALIFORNIA INSURANCE CODE §§700, 703, 790.035, 12409, and 12976**  
25                                   **and RESPA, 12 U.S.C. 2607(d)**

26           108. As a result of LANDAMERICA REINSURANCE SERVICES, INC.'S actions, as  
27 set forth hereinabove, and pursuant to California Insurance Code §700(b), LANDAMERICA  
28 REINSURANCE SERVICES, INC. is liable to the people of the State of California in the amount

1 of one hundred thousand dollars (\$100,000), as a monetary penalty for transacting reinsurance as  
2 a nonadmitted insurer; and,

3 109. As a result of COMMONWEALTH'S actions, as set forth hereinabove, and  
4 pursuant to California Insurance Code §703(c), COMMONWEALTH is liable to the people of  
5 the State of California in the amount of five hundred dollars (\$500.00), as a monetary penalty for  
6 aiding and abetting LANDAMERICA REINSURANCE SERVICES, INC., a nonadmitted  
7 insurer, to transact insurance business in this state; and,

9 110. As a result of LAWYERS' actions, as set forth hereinabove, and pursuant to  
10 California Insurance Code §703(c), LAWYERS is liable to the people of the State of California in  
11 the amount of five hundred dollars (\$500.00), as a monetary penalty for aiding and abetting  
12 LANDAMERICA REINSURANCE SERVICES, INC., a nonadmitted insurer, to transact  
13 insurance business in this state; and,

15 111. As a result of TRANSNATION'S actions, as set forth hereinabove, and pursuant  
16 to California Insurance Code §703(c), TRANSNATION is liable to the people of the State of  
17 California in the amount of five hundred dollars (\$500.00), as a monetary penalty for aiding and  
18 abetting LANDAMERICA REINSURANCE SERVICES, INC., a nonadmitted insurer, to  
19 transact insurance business in this state; and,

21 112. As a result of COMMONWEALTH'S actions, as set forth hereinabove, and  
22 pursuant to California Insurance Code §790.035, COMMONWEALTH is liable to the people of  
23 the State of California in the amount of twenty five million eight hundred ninety thousand dollars  
24 (\$25,890,000.00), as a civil penalty for transacting two thousand five hundred eighty nine (2,589)  
25 orders for title insurance policies pursuant to their California captive reinsurance arrangements;  
26 and,  
27  
28

1           113. As a result of LAWYERS' actions, as set forth hereinabove, and pursuant to  
2 California Insurance Code §790.035, LAWYERS is liable to the people of the State of California  
3 in the amount of ninety nine million seven hundred thirty thousand dollars (\$99,730,000.00), as a  
4 civil penalty for transacting nine thousand nine hundred seventy three (9,973) orders for title  
5 insurance policies pursuant to their California captive reinsurance arrangements; and,  
6

7           114. As a result of TRANSNATION'S actions, as set forth hereinabove, and pursuant  
8 to California Insurance Code §790.035, TRANSNATION is liable to the people of the State of  
9 California in the amount of two million three hundred sixty thousand dollars (\$2,360,000.00), as a  
10 civil penalty for transacting two hundred thirty six (236) orders for title insurance policies  
11 pursuant to their California captive reinsurance arrangements; and,  
12

13           115. As a result of COMMONWEALTH'S actions, as set forth hereinabove, and  
14 pursuant to California Insurance Code §12409, COMMONWEALTH is liable to the people of  
15 California in the amount of two million three hundred ninety four thousand one hundred eighty  
16 three dollars and seventy-five cents (\$2,394,183.75), which is five times the amount of the  
17 unlawful rebates of four hundred seventy eight thousand eight hundred thirty six dollars and  
18 seventy-five cents (\$478,836.75); and,  
19

20           116. As a result of LAWYERS' actions, as set forth hereinabove, and pursuant to  
21 California Insurance Code §12409, LAWYERS is liable to the people of California in the amount  
22 of ten million five hundred twenty thousand four hundred thirty eight dollars and ninety cents  
23 (\$10,520,438.90), which is five times the amount of the unlawful rebates of two million one  
24 hundred four thousand eighty seven dollars and seventy-eight cents (\$2,104,087.78); and,  
25

26           117. As a result of TRANSNATION'S actions, as set forth hereinabove, and pursuant  
27 to California Insurance Code §12409, TRANSNATION is liable to the people of California in the  
28 amount of two hundred fifty two thousand four hundred twenty eight dollars and seventy-five

1 cents (\$252,428.75), which is five times the amount of the unlawful rebates of fifty thousand four  
2 hundred eighty five dollars and seventy-five cents (\$50,485.75); and,

3 118. As a result of COMMONWEALTH'S actions, as set forth hereinabove, and  
4 pursuant to California Insurance Code §12414.25, COMMONWEALTH is liable to the state in  
5 the amount of five thousand dollars (\$5,000.00) for its willful failure to comply with a final Order  
6 of the Commissioner dated January 4, 1999 in File No: LA 15222 AEX; and,

8 119. As a result of COMMONWEALTH'S actions, as set forth hereinabove, and  
9 pursuant to RESPA, 12 U.S.C. §2607(d)(1), COMMONWEALTH is liable in the amount of ten  
10 thousand dollars (\$10,000.00) as a monetary penalty for providing kickbacks and unearned fees to  
11 settlement service providers; and,

12 120. As a result of LAWYERS' actions, as set forth hereinabove, and pursuant to  
13 RESPA, 12 U.S.C. §2607(d)(1), LAWYERS is liable in the amount of ten thousand dollars  
14 (\$10,000.00) as a monetary penalty for providing kickbacks and unearned fees to settlement  
15 service providers; and,

17 121. As a result of TRANSNATION'S actions, as set forth hereinabove, and pursuant  
18 to RESPA, 12 U.S.C. §2607(d)(1), TRANSNATION is liable in the amount of ten thousand  
19 dollars (\$10,000.00) as a monetary penalty for providing kickbacks and unearned fees to  
20 settlement service providers; and,

22 122. As a result of COMMONWEALTH'S actions, as set forth hereinabove, and  
23 pursuant to RESPA, 12 U.S.C. §2607(d)(2), COMMONWEALTH is liable to the people of the  
24 State of California in the amount of seven million six hundred eleven thousand six hundred sixty  
25 dollars (\$7,611,660.00), which is three times the amount of all charges paid for settlement  
26 services of two million five hundred thirty seven thousand two hundred twenty dollars  
27 (\$2,537,220.00); and,  
28

1           123. As a result of LAWYERS' actions, as set forth hereinabove, and pursuant to  
2 RESPA, 12 U.S.C. §2607(d)(2), LAWYERS is liable to the people of the State of California in  
3 the amount of twenty nine million three hundred twenty thousand six hundred twenty dollars  
4 (\$29,320,620.00), which is three times the amount of all charges paid for settlement services of  
5 nine million seven hundred seventy three thousand five hundred forty dollars (\$9,773,540.00);  
6 and,  
7

8           124. As a result of TRANSNATION'S actions, as set forth hereinabove, and pursuant  
9 to RESPA, 12 U.S.C. §2607(d)(2), TRANSNATION is liable to the people of the State of  
10 California in the amount of six hundred ninety three thousand eight hundred forty dollars  
11 (\$693,840.00), which is three times the amount of all charges paid for settlement services of two  
12 hundred thirty one thousand two hundred eighty dollars (\$231,280.00); and,  
13

14           125. Demand for thirty five million nine hundred eleven thousand three hundred forty  
15 three dollars and seventy-five cents (\$35,911,343.75) is hereby made to COMMONWEALTH.  
16 Pursuant to California Insurance Code §12976, COMMONWEALTH has ten (10) days to make  
17 payment; and,  
18

19           126. Demand for one hundred thirty nine million five hundred eighty one thousand five  
20 hundred fifty eight dollars and ninety cents (\$139,581,558.90) is hereby made to LAWYERS.  
21 Pursuant to California Insurance Code §12976, LAWYERS has ten (10) days to make payment;  
22 and,  
23

24           127. Demand for three million three hundred sixteen thousand seven hundred sixty  
25 eight dollars and seventy-five cents (\$3,316,768.75) is hereby made to TRANSNATION.  
26 Pursuant to California Insurance Code §12976, TRANSNATION has ten (10) days to make  
27 payment; and,  
28



1           128. Demand for one hundred thousand dollars (\$100,000.00) is hereby made to  
2 LANDAMERICA REINSURANCE SERVICES, INC. Pursuant to California Insurance Code  
3 §12976, LANDAMERICA REINSURANCE SERVICES, INC. has ten (10) days to make  
4 payment.

5  
6           **ORDER TO SHOW CAUSE PURSUANT TO CALIFORNIA INSURANCE CODE**  
7           **§§790.03, 790.05 and 790.06**

8           129. WHEREAS, the Insurance Commissioner has reason to believe, based upon the  
9 facts set forth herein, that COMMONWEALTH has engaged in and currently is engaging in  
10 unfair methods of competition and/or unfair or deceptive acts or practices, and in unlawful rebate  
11 activities in this State as defined in California Insurance Code §§790.03(d), 790.03(e), 12404 and  
12 12405; and,

13           130. WHEREAS, the Insurance Commissioner has reason to believe, based upon the  
14 facts set forth herein, that LAWYERS has engaged in and currently is engaging in unfair methods  
15 of competition and/or unfair or deceptive acts or practices, and in unlawful rebate activities in this  
16 State as defined in California Insurance Code §§790.03(d), 790.03(e), 12404 and 12405; and,

17           131. WHEREAS, the Insurance Commissioner has reason to believe, based upon the  
18 facts set forth herein, that TRANSNATION has engaged in and currently is engaging in unfair  
19 methods of competition and/or unfair or deceptive acts or practices, and in unlawful rebate  
20 activities in this State as defined in California Insurance Code §§790.03(d), 790.03(e), 12404 and  
21 12405; and,

22           132. WHEREAS, the Insurance Commissioner has reason to believe, based upon the  
23 facts sets forth herein, that COMMONWEALTH has engaged in and currently in engaging in a  
24 method of competition and/or an act or practice in the conduct of its business that is not defined  
25  
26  
27  
28

1 in California Insurance Code §790.03, and that the method is unfair and/or the act or practice is  
2 unfair or deceptive pursuant to California Insurance Code §790.06; and,

3 133. WHEREAS, the Insurance Commissioner has reason to believe, based upon the  
4 facts sets forth herein, that LAWYERS has engaged in and currently in engaging in a method of  
5 competition and/or an act or practice in the conduct of its business that is not defined in California  
6 Insurance Code §790.03, and that the method is unfair and/or the act or practice is unfair or  
7 deceptive pursuant to California Insurance Code §790.06; and,

9 134. WHEREAS, the Insurance Commissioner has reason to believe, based upon the  
10 facts sets forth herein, that TRANSNATION has engaged in and currently in engaging in a  
11 method of competition and/or an act or practice in the conduct of its business that is not defined  
12 in California Insurance Code §790.03, and that the method is unfair and/or the act or practice is  
13 unfair or deceptive pursuant to California Insurance Code §790.06; and,

15 135. WHEREAS, the Insurance Commissioner has reason to believe that a proceeding  
16 by the Insurance Commissioner would be in the public interest, he shall bring an Order to Show  
17 Cause pursuant to §§790.05 of the California Insurance Code, containing a statement of the  
18 charges and COMMONWEALTH'S potential liability under §790.05. The Insurance  
19 Commissioner hereby reserves his right to bring, in the future, such Order to Show Cause against  
20 COMMONWEALTH for the acts set forth herein; and,

22 136. WHEREAS, the Insurance Commissioner has reason to believe that a proceeding  
23 by the Insurance Commissioner would be in the public interest, he shall bring an Order to Show  
24 Cause pursuant to §§790.05 of the California Insurance Code, containing a statement of the  
25 charges and LAWYERS' potential liability under §790.05. The Insurance Commissioner hereby  
26 reserves his right to bring, in the future, such Order to Show Cause against LAWYERS for the  
27 acts set forth herein; and,  
28

1           137. WHEREAS, the Insurance Commissioner has reason to believe that a proceeding  
2 by the Insurance Commissioner would be in the public interest, he shall bring an Order to Show  
3 Cause pursuant to §§790.05 of the California Insurance Code, containing a statement of the  
4 charges and TRANSNATION'S potential liability under §790.05. The Insurance Commissioner  
5 hereby reserves his right to bring, in the future, such Order to Show Cause against  
6 TRANSNATION for the acts set forth herein.  
7

8           WHEREFORE, the Insurance Commissioner prays for the following:

- 9           1. An Order to Cease and Desist, against COMMONWEALTH, LAWYERS, and  
10           TRANSNATION, from engaging in business arrangements with non-admitted  
11           reinsurance entities in violation of California Insurance Code §§35, 700, 703, 12404  
12           and 12405 and RESPA, 12 U.S.C. §2607(a); and,  
13
- 14           2. An Order to Cease and Desist, against LANDAMERICA REINSURANCE  
15           SERVICES, INC. from transacting insurance in the State of California without a  
16           license in violation of California Insurance Code §§35 and 700 et seq.; and,  
17
- 18           3. An Order to Cease and Desist, against COMMONWEALTH, LAWYERS, and  
19           TRANSNATION, from engaging in practices, methods, acts or conduct in violation of  
20           California Insurance Code §§12404 and 12405 and RESPA, 12 U.S.C. §2607; and,  
21
- 22           4. An Order to Cease and Desist, against COMMONWEALTH, LAWYERS, and  
23           TRANSNATION, from engaging in unfair methods of competition and unfair and  
24           deceptive acts or practices in the business of title insurance in violation of California  
25           Insurance Code §§790.03 and 790.06; and,  
26
- 27           5. The restriction or suspension of COMMONWEALTH, LAWYERS, and  
28           TRANSNATION'S Certificates of Authority to act as title insurers in the State of  
            California, pursuant to California Insurance Code §12409; and,

- 1 6. The imposition of Notice on COMMONWEALTH, LAWYERS, and  
2 TRANSNATION that they have ten (10) days within which to comply with the  
3 provisions of California Insurance Code §§703, 790.03, 790.06, 12404, and 12405;  
4 and RESPA, 12 U.S.C. §2607(a). If COMMONWEALTH, LAWYERS, and/or  
5 TRANSNATION do not comply, the non-compliant entity will be considered willful,  
6 and will be subject, after hearing, to an Order by the Insurance Commissioner  
7 prohibiting the non-compliant entity from conducting title business for a period of not  
8 more than one year, and to the possible suspension or revocation of its Certificate of  
9 Authority pursuant to California Insurance Code §12411; and,  
10  
11 7. The imposition of Notice on LANDAMERICA REINSURANCE SERVICES, INC.  
12 that it has ten (10) days within which to comply with the provisions of California  
13 Insurance Code §§700, 790.03, 790.06, 12404, and 12405; and RESPA, 12 U.S.C.  
14 §2607(a). If LANDAMERICA REINSURANCE SERVICES, INC. does not comply,  
15 its noncompliance will be considered willful, and will subject LANDAMERICA  
16 REINSURANCE SERVICES, INC., after hearing, to an Order by the Insurance  
17 Commissioner prohibiting the noncompliant entity from conducting title reinsurance  
18 business for a period of not more than one year, pursuant to California Insurance Code  
19 §790.08 and 12411; and,  
20  
21 8. The imposition of a monetary penalty, against COMMONWEALTH, of five hundred  
22 dollars (\$500.00), pursuant to California Insurance Code §703(c); and,  
23  
24 9. The imposition of a monetary penalty, against LAWYERS, of five hundred dollars  
25 (\$500.00), pursuant to California Insurance Code §703(c); and,  
26  
27 10. The imposition of a monetary penalty, against TRANSNATION of five hundred  
28 dollars (\$500.00), pursuant to California Insurance Code §703(c); and,

- 1 11. The imposition of a civil penalty of twenty five million eight hundred ninety thousand  
2 dollars (\$25,890,000.00), against COMMONWEALTH, pursuant to California  
3 Insurance Code §790.035; and  
4
- 5 12. The imposition of a civil penalty of ninety nine million seven hundred thirty thousand  
6 dollars (\$99,730,000.00), against LAWYERS, pursuant to California Insurance Code  
7 §790.035; and  
8
- 9 13. The imposition of a civil penalty of two million three hundred sixty thousand dollars  
10 (\$2,360,000.00), against TRANSNATION, pursuant to California Insurance Code  
11 §790.035; and  
12
- 13 14. The imposition of a monetary penalty of two million three hundred ninety four  
14 thousand one hundred eighty three dollars and seventy-five cents (\$2,394,183.75),  
15 against COMMONWEALTH, pursuant to California Insurance Code §12409; and,  
16
- 17 15. The imposition of a monetary penalty of ten million five hundred twenty thousand  
18 four hundred thirty eight dollars and ninety cents (\$10,520,438.90), against  
19 LAWYERS, pursuant to California Insurance Code §12409; and,  
20
- 21 16. The imposition of a monetary penalty of two hundred fifty two thousand four hundred  
22 twenty eight dollars and seventy-five cents (\$252,428.75), against TRANSNATION,  
23 pursuant to California Insurance Code §12409; and,  
24
- 25 17. The imposition of a monetary penalty of five thousand dollars (\$5,000.00), against  
26 COMMONWEALTH, pursuant to California Insurance Code §12414.25; and,  
27
- 28 18. The imposition of a fine of ten thousand dollars (\$10,000.00), against  
COMMONWEALTH, pursuant to RESPA, 12 U.S.C. §2607(d)(1); and,  
19. The imposition of a fine of ten thousand dollars (\$10,000.00), against LAWYERS,  
pursuant to RESPA, 12 U.S.C. §2607(d)(1); and,

- 1 20. The imposition of a fine of ten thousand dollars (\$10,000.00), against  
2 TRANSNATION, pursuant to RESPA, 12 U.S.C. §2607(d)(1); and,  
3  
4 21. The imposition of a monetary penalty of seven million six hundred eleven thousand  
5 six hundred sixty dollars (\$7,611,660.00), against COMMONWEALTH, pursuant to  
6 RESPA, 12 U.S.C. §2607(d)(2); and,  
7  
8 22. The imposition of a monetary penalty of twenty nine million three hundred twenty  
9 thousand six hundred twenty dollars (\$29,320,620.00), against LAWYERS, pursuant  
10 to RESPA, 12 U.S.C. §2607(d)(2); and  
11  
12 23. The imposition of a monetary penalty of six hundred ninety three thousand eight  
13 hundred forty dollars (\$693,840.00), against TRANSNATION, pursuant to RESPA,  
14 12 U.S.C. §2607(d)(2); and  
15  
16 24. The reservation of the right to bring an Order to Show Cause against  
17 COMMONWEALTH, LAWYERS, and TRANSNATION, pursuant to California  
18 Insurance Code §§790.03, 790.05, and 790.06.

19 Dated: July 18, 2005

JOHN GARAMENDI  
Insurance Commissioner

20  
21 By: /s/  
22 Rebecca M. Westmore  
23 Senior Staff Counsel  
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